

**Al Soor Fuel Marketing Company
K.S.C.P. and its Subsidiary**

CONSOLIDATED FINANCIAL STATEMENTS

31 DECEMBER 2018

INDEPENDENT AUDITORS' REPORT TO THE SHAREHOLDERS OF AL SOOR FUEL MARKETING COMPANY K.S.C.P.

Report on the Audit of the Consolidated Financial Statements

Opinion

We have audited the consolidated financial statements of Al Soor Fuel Marketing Company K.S.C.P. (the "Parent Company") and its subsidiary (collectively the "Group"), which comprise the consolidated statement of financial position as at 31 December 2018, and the consolidated statement of income, consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at 31 December 2018, and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRSs).

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Consolidated Financial Statements* section of our report. We are independent of the Group in accordance with the *International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (IESBA Code)*, and we have fulfilled our other ethical responsibilities in accordance with the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current year. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. For each matter below, our description of how our audit addressed the matter is provided in that context.

We have fulfilled the responsibilities described in the Auditor's responsibilities for the audit of the consolidated financial statements section of our report, including in relation to these matters. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the consolidated financial statements. The results of our audit procedures, including the procedures performed to address the matters below, provide the basis for our audit opinion on the accompanying consolidated financial statements.

We identified the following key audit matter:

INDEPENDENT AUDITORS' REPORT TO THE SHAREHOLDERS OF AL SOOR FUEL MARKETING COMPANY K.S.C.P. (continued)

Report on the Audit of Consolidated Financial Statements (continued)

Key Audit Matters (continued)

Valuation of financial assets at fair value through other comprehensive income

As at 31 December 2018, the Group had financial assets at fair value through other comprehensive income amounting to KD 23,920,303. These financial assets are measured at fair value with the corresponding fair value change recognized in other comprehensive income. The valuation of the financial assets at fair value through other comprehensive income is inherently subjective - most predominantly for the level 3, since these are valued using inputs other than quoted prices in an active market. Fair value can be subjective in nature and involve various assumptions regarding pricing factors.

The use of different valuation techniques and assumptions could produce significantly different estimates of the values of these financial assets at fair value through other comprehensive income.

Due to the significance of estimation uncertainty associated with the fair valuation and impairment analysis of the financial assets at fair value through other comprehensive income, this is considered a key audit matter. We performed audit procedures to assess the methodology and the appropriateness of the valuation models and inputs used to value financial assets fair value through other comprehensive income. As part of these audit procedures, we assessed the accuracy of key inputs used in the valuation such as quoted market prices, market multiples, and discount rates for lack of marketability and lack of control, the expected cash flows, risk free rates and credit spreads by benchmarking them with external data, investigated significant differences. Finally, we assessed the adequacy of the disclosures relating to financial assets in notes 10 and 24 to the consolidated financial statements.

Other information included in the Group's 2018 Annual Report

Management is responsible for the other information. Other information consists of the information included in Group's 2018 Annual Report, other than the consolidated financial statements and our auditor's report thereon. We obtained the report of the Parent Company's Board of Directors, prior to the date of our auditor's report, and we expect to obtain the remaining sections of the Group's 2018 Annual Report after the date of our auditor's report.

Our opinion on the consolidated financial statements does not cover the other information and we do not and will not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on the work we have performed on the other information that we obtained prior to the date of this auditor's report, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

INDEPENDENT AUDITORS' REPORT TO THE SHAREHOLDERS OF AL SOOR FUEL MARKETING COMPANY K.S.C.P. (continued)

Report on the Audit of Consolidated Financial Statements (continued)

Responsibilities of Management and Those Charged with Governance for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with IFRSs and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

Those Charged with Governance are responsible for overseeing the Group's financial reporting process.

Auditor's Responsibilities for the Audit of Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken based on these consolidated financial statements.

As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

INDEPENDENT AUDITORS' REPORT TO THE SHAREHOLDERS OF AL SOOR FUEL MARKETING COMPANY K.S.C.P. (continued)

Report on the Audit of Consolidated Financial Statements (continued)

Auditor's Responsibilities for the Audit of Consolidated Financial Statements (continued)

- Conclude on the appropriateness of management's use of the going concern basis of accounting and based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the Group audit. We remain solely responsible for our audit opinion.

We communicate with Those Charged with Governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

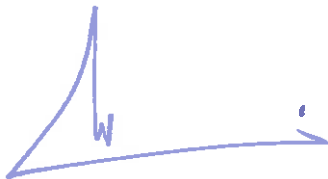
We also provide Those Charged with Governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with Those Charged with Governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current year and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

INDEPENDENT AUDITORS' REPORT TO THE SHAREHOLDERS OF AL SOOR FUEL MARKETING COMPANY K.S.C.P. (continued)

Report on Other Legal and Regulatory Requirements

Furthermore, in our opinion, proper books of account have been kept by the Parent Company and the consolidated financial statements, together with the contents of the report of the Parent Company's Board of Directors relating to these consolidated financial statements, are in accordance therewith. We further report that we obtained all the information and explanations that we required for the purpose of our audit and that the consolidated financial statements incorporate all information that is required by the Companies Law No 1 of 2016, as amended, and its executive regulation, as amended, and by the Parent Company's Memorandum of Incorporation and Articles of Association, as amended, that an inventory was duly carried out and that, to the best of our knowledge and belief, no violations of the Companies Law No 1 of 2016, as amended, and its executive regulation, as amended, nor of the Parent Company's Memorandum of Incorporation and Articles of Association, as amended, have occurred during the year ended 31 December 2018 that might have had a material effect on the business of the Parent Company or on its financial position.



BADER A. AL-ABDULJADER
LICENCE NO. 207-A
EY
AL AIBAN, AL OSAIMI & PARTNERS

19 March 2019
Kuwait

Al Soor Fuel Marketing Company K.S.C.P. and its Subsidiary

CONSOLIDATED STATEMENT OF INCOME

For the year ended 31 December 2018

	Notes	2018 KD	2017 KD
Sales		156,769,986	150,328,071
Cost of sales	19	(143,855,393)	(137,854,788)
Operating expenses		(10,273,780)	(8,642,955)
Gross profit		2,640,813	3,830,328
Other income		3,424,075	2,934,682
Rental income		350,900	247,095
Net investment income	4	519,041	513,043
Share of results of investment in an associate		(338,593)	(100,412)
Gain from sale of investment in an associate	9	518,858	575,000
Administrative expenses		(1,893,745)	(2,205,797)
Staff cost		(970,573)	(1,096,130)
Allowance for impairment of trade receivables	11	(614,169)	(1,021,210)
PROFIT FOR THE YEAR BEFORE CONTRIBUTION TO KUWAIT FOUNDATION FOR THE ADVANCEMENT OF SCIENCES (KFAS), NATIONAL LABOUR SUPPORT TAX (NLST), ZAKAT AND DIRECTORS' REMUNERATION		3,636,607	3,676,599
Contribution to KFAS		(32,869)	(33,096)
NLST		(91,302)	(91,933)
Zakat		(36,521)	(36,773)
Directors' remuneration	13	(60,000)	(55,000)
PROFIT FOR THE YEAR		3,415,915	3,459,797
BASIC AND DILUTED EARNINGS PER SHARE	5	8.52 fils	8.63 fils

The attached notes 1 to 25 form part of these consolidated financial statements

Al Soor Fuel Marketing Company K.S.C.P. and its Subsidiary
CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
For the year ended 31 December 2018

	2018 KD	2017 KD
Profit for the year	3,415,915	3,459,797
Other comprehensive income		
<i>Items that will not be reclassified subsequently to consolidated statement of income:</i>		
Net fair value gain on financial assets at fair value through other comprehensive income	324,758	1,063,135
Other comprehensive income for the year	324,758	1,063,135
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	3,740,673	4,522,932

Al Soor Fuel Marketing Company K.S.C.P. and its Subsidiary
CONSOLIDATED STATEMENT OF FINANCIAL POSITION
At 31 December 2018

	Notes	2018 KD	2017 KD
ASSETS			
Non-current assets			
Property and equipment	6	22,671,578	19,410,690
Intangible assets	7	12,235,736	12,929,500
Investment properties	8	4,550,441	4,550,010
Investment in an associate	9	-	1,927,375
Financial assets at fair value through other comprehensive income	10	23,920,303	21,590,352
		<u>63,378,058</u>	<u>60,407,927</u>
Current assets			
Inventories		589,044	725,189
Accounts receivable and prepayments	11	5,880,950	9,638,414
Financial assets at fair value through profit or loss	10	994,372	-
Cash, bank balances and term deposits	12	16,814,051	28,039,213
		<u>24,278,417</u>	<u>38,402,816</u>
TOTAL ASSETS		<u>87,656,475</u>	<u>98,810,743</u>
EQUITY AND LIABILITIES			
Equity			
Share capital	13	40,470,758	40,470,758
Statutory reserve	14	4,980,145	4,616,484
Voluntary reserve	15	4,980,145	4,616,484
Treasury shares	16	(760,279)	(760,279)
Cumulative changes in fair value reserve		4,375,374	6,103,229
Retained earnings		13,946,703	11,210,189
Total equity		<u>67,992,846</u>	<u>66,256,865</u>
Liabilities			
Non-current liability			
Employees' end of service benefits		854,302	760,442
Current liabilities			
Accounts payable and accruals	17	18,809,327	13,971,951
Term loan		-	17,821,485
Total liabilities		<u>19,663,629</u>	<u>32,553,878</u>
TOTAL EQUITY AND LIABILITIES		<u>87,656,475</u>	<u>98,810,743</u>

Turaif Mohammad Baqer Al Awadhi
(Chairman)

Talal Ahmad Al-Khars
(Vice Chairman & CEO)



Al Soor Fuel Marketing Company K.S.C.P. and its Subsidiary

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2018

	Share capital KD	Statutory reserve KD	Voluntary reserve KD	Treasury shares KD	Cumulative change in fair value reserve KD	Retained earnings KD	Total KD
Balance at 1 January 2018	40,470,758	4,616,484	4,616,484	(760,279)	6,103,229	11,210,189	66,256,865
Profit for the year	-	-	-	-	-	3,415,915	3,415,915
Other comprehensive income for the year	-	-	-	-	324,758	-	324,758
Total comprehensive income for the year	-	-	-	-	324,758	3,415,915	3,740,673
Cash dividend paid (Note 13)	-	-	-	-	-	(2,004,692)	(2,004,692)
Net realised gain transferred to retained earnings on disposal of financial assets at fair value through other comprehensive income	-	-	-	-	(2,052,613)	2,052,613	-
Transfer to reserves	-	363,661	363,661	-	-	(727,322)	-
Balance at 31 December 2018	40,470,758	4,980,145	4,980,145	(760,279)	4,375,374	13,946,703	67,992,846
Balance at 1 January 2017	40,470,758	4,248,824	4,248,824	(760,279)	429,074	10,626,717	59,263,918
Transition adjustment on early adoption of IFRS 9	-	-	-	-	4,637,050	(162,343)	4,474,707
Restated balance at 1 January 2018	40,470,758	4,248,824	4,248,824	(760,279)	5,066,124	10,464,374	63,738,625
Profit for the year	-	-	-	-	-	3,459,797	3,459,797
Other comprehensive income for the year	-	-	-	-	1,063,135	-	1,063,135
Total comprehensive income for the year	-	-	-	-	1,063,135	3,459,797	4,522,932
Cash dividend paid (Note 13)	-	-	-	-	-	(2,004,692)	(2,004,692)
Net realised gain transferred to retained earnings on disposal of financial assets at fair value through other comprehensive income	-	-	-	-	(26,030)	26,030	-
Transfer to reserves	-	367,660	367,660	-	-	(735,320)	-
Balance at 31 December 2017	40,470,758	4,616,484	4,616,484	(760,279)	6,103,229	11,210,189	66,256,865

The attached notes 1 to 25 form part of these consolidated financial statements.

Al Soor Fuel Marketing Company K.S.C.P. and its Subsidiary

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 December 2018

	Notes	2018 KD	2017 KD
OPERATING ACTIVITIES			
Profit for the year before contribution to KFAS, NLST, and Zakat		3,576,607	3,621,599
Adjustments to reconcile profit for the year to net cash flows:			
Gain from sale of investment in an associate	9	(518,858)	(575,000)
Net investment income	4	(518,002)	(513,043)
Share of results of associates	9	338,593	100,412
Depreciation and amortisation	6,7,8	2,041,891	1,811,613
Provision for employees' end of service benefits		152,150	139,760
Allowance for impairment of trade receivables	11	614,169	1,021,210
Unrealised gain from financial assets at fair value through profit or loss	4	(1,039)	-
		<u>5,685,511</u>	<u>5,606,551</u>
Changes in the working capital:			
Inventories		136,145	(68,935)
Accounts receivable and prepayments		3,143,295	(4,031,705)
Accounts payable and accruals		<u>4,672,925</u>	<u>882,277</u>
Cash flows from operations		13,637,876	2,388,188
Employees' end of service benefits paid		(58,290)	(15,857)
KFAS paid		(33,096)	(32,487)
NLST paid		(118,676)	(97,378)
Zakat paid		(45,929)	(37,912)
Directors' fees paid		<u>(55,000)</u>	<u>(50,000)</u>
Net cash flows from operating activities		<u>13,326,885</u>	<u>2,154,554</u>
INVESTING ACTIVITIES			
Purchase of property and equipment	6	(4,570,446)	(3,129,189)
Purchase of investment properties	8	(39,000)	-
Purchase of financial assets at fair value through other comprehensive income		(6,625,735)	(823,536)
Purchase of financial assets at fair value through profit or loss		(993,333)	-
Proceeds from sale of financial assets at fair value through other comprehensive income		4,620,542	654,015
Proceeds from sales of investment in an associate	9	2,107,640	575,000
Term deposits		(1,000,000)	(1,000,000)
Investment income received		<u>518,002</u>	<u>513,043</u>
Net cash flows used in investing activities		<u>(5,982,330)</u>	<u>(3,210,667)</u>
FINANCING ACTIVITIES			
Term loan		-	37,358,520
Repayment of term loan		(17,821,485)	(19,537,035)
Cash dividend		<u>(1,748,232)</u>	<u>(1,748,232)</u>
Net cash flows (used in) from financing activities		<u>(19,569,717)</u>	<u>16,073,253</u>
NET (DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS		<u>(12,225,162)</u>	<u>15,017,140</u>
Cash and cash equivalents at 1 January		19,039,213	4,022,073
CASH AND CASH EQUIVALENTS AT 31 DECEMBER	12	<u>6,814,051</u>	<u>19,039,213</u>

The attached notes 1 to 25 form part of these consolidated financial statements.

Al Soor Fuel Marketing Company K.S.C.P. and its Subsidiary

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

At 31 December 2018

1 CORPORATE INFORMATION

Al Soor Fuel Marketing Company K.S.C.P. (the "Parent Company") is a Kuwaiti shareholding company incorporated on 20 March 2006 and commenced its operations on 9 May 2006. The Parent Company's shares were listed on the Kuwait Stock Exchange on 30 June 2008.

The consolidated financial statements of the Parent Company and its subsidiary (collectively the "Group") for the year ended 31 December 2018 were authorised for issue in accordance with a resolution of the Board of Directors' on 14 March 2019 and are subject to the approval of the general assembly of shareholders. The ordinary general assembly of the shareholders of the Parent Company has the power to amend these consolidated financial statements after their issuance.

The consolidated financial statements of the Group for the year ended 31 December 2017 was approved by the shareholders of the Parent Company during the annual general assembly meeting held on 22 April 2018.

The Group conducts the following activities as set forth in Article No. 5 of the Parent Company's Articles of Association:

- Acquisition, establishment, leasing, operating, and maintenance of petrol stations;
- Establishing, developing, operating and maintaining customer service centers at petrol stations, to provide all automobile services including the changing of oil, car wash, maintenance workshop services and technical check-ups;
- The ability to fill and store fuel;
- To ship and trade in petroleum products in bulk or retail;
- The purchase, lease, acquisition, and sale of land and real estate in different locations for the purpose of compliance with the Parent Company's activities;

The head office of the Parent Company is P.O. Box 28396, Safat 13144, State of Kuwait.

The Parent Company is a subsidiary of Alfa Energy Company K.S.C. (Closed) (the "Ultimate Parent Company").

2.1 BASIS OF PREPARATION

Statement of compliance

The consolidated financial statements of the Group have been prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB").

Basis of measurement

The consolidated financial statements of the Group are prepared under the historical cost convention as modified for the revaluation at fair value of financial assets at fair value through other comprehensive income and financial assets at fair value through profit or loss.

Functional and presentation currency

The consolidated financial statements of the Group are presented in Kuwaiti Dinars ("KD"), which is the functional currency of the Parent Company.

2.2 CHANGES IN ACCOUNTING POLICIES

The accounting policies used in the preparation of these financial statements are consistent with those used in the previous financial year, except as mentioned below:

New and amended standards and interpretations

The accounting policies adopted in the preparation of the consolidated financial statements are consistent with those followed in the preparation of the Group's annual consolidated financial statements for the year ended 31 December 2017, except for the adoption of new standards effective as of 1 January 2018 as below. The Group has not early adopted any other standard, interpretation or amendment that has been issued but is not yet effective.

IFRS 15 – Revenue from Contracts with Customers

IFRS 15 Revenue from Contracts with Customers was issued in May 2014 and is effective for annual periods commencing on or after 1 January 2018. IFRS 15 outlines a single comprehensive model of accounting for revenue arising from contracts with customers and supersedes previous revenue guidances. It established a new five-step model that will apply to revenue arising from contracts with customers. Under IFRS 15, revenue is recognised at an amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer. The Group has applied IFRS 15 using the modified retrospective application. The Group concluded that it has no impact from the application of IFRS 15.

2.3 STANDARDS ISSUED BUT NOT YET EFFECTIVE

The standards and interpretations that are issued, but not yet effective, up to the date of issuance of the Group's consolidated financial statements are disclosed below. The Group intends to adopt these standards, if applicable, when they become effective.

IFRS 16 Leases

In January 2016, the IASB issued IFRS 16 'Leases' with an effective date of annual periods beginning on or after 1 January 2019. IFRS 16 results in lessees accounting for most leases within the scope of the standard in a manner similar to the way in which finance leases are currently accounted for under IAS 17 'Leases'. Lessees will recognise a 'right of use' asset and a corresponding financial liability on the balance sheet. The asset will be amortised over the length of the lease and the financial liability measured at amortised cost. Lessor accounting remains substantially the same as in IAS 17. The Group plans to adopt the new standard on the required effective date. However, as the management are still in the process of assessing the full impact of the application of IFRS 16 on the financial statements, it is not practicable to provide a reasonable financial estimate of the effect until the management complete the detailed review.

Other new or amended standards which are issued but not yet effective, are not relevant to the Group and have no impact on the accounting policies, financial position or performance of the Group.

2.4 BASIS OF CONSOLIDATION

The consolidated financial statements comprise the financial statements of the Parent Company and its subsidiary as at 31 December 2018. Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee.

Specifically, the Group controls an investee if, and only if, the Group has:

- Power over the investee (i.e., existing rights that give it the current ability to direct the relevant activities of the investee);
- Exposure, or rights, to variable returns from its involvement with the investee; and
- The ability to use its power over the investee to affect its returns.

Generally, there is a presumption that a majority of voting rights results in control. To support this presumption and when the Group has less than a majority of the voting or similar rights of an investee, the Group considers all relevant facts and circumstances in assessing whether it has power over an investee, including:

- The contractual arrangement(s) with the other vote holders of the investee;
- Rights arising from other contractual arrangements; and
- The Group's voting rights and potential voting rights.

The Group re-assesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control. Consolidation of a subsidiary begins when the Group obtains control over the subsidiary and ceases when the Group loses control of the subsidiary.

Assets, liabilities, income and expenses of a subsidiary acquired or disposed of during the year are included in the consolidated financial statements from the date the Group gains control until the date the Group ceases to control the subsidiary.

Profit or loss and each component of OCI are attributed to the equity holders of the Parent Company of the Group and to the non-controlling interests, even if this results in the non-controlling interests having a deficit balance. The financial statements of the subsidiaries are prepared for the same reporting period as the Parent Company reporting date using consistent accounting policies. When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with the Group's accounting policies. All intra-group assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation. A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction.

If the Group loses control over a subsidiary, it derecognises the related assets (including goodwill), liabilities, non-controlling interest and other components of equity, while any resultant gain or loss is recognised in consolidated statement of income. Any investment retained is recognised at fair value.

Al Soor Fuel Marketing Company K.S.C.P. and its Subsidiary
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
At 31 December 2018

2.4 BASIS OF CONSOLIDATION (continued)

The subsidiary of the Group is as follows:

<i>Name of the company</i>	<i>Country of incorporation</i>	<i>Principal activities</i>	<i>Interest in equity %</i>	
			<i>2018</i>	<i>2017</i>
Advantage for Establishing Central Markets Company K.S.C. (Closed)*	Kuwait	Operating Central Markets	96%	96%

*Effective ownership percentage is 100% (2017: 100%).

2.5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Revenue recognition

The Group recognises revenue from the following major sources:

- Sale of fuel
- Rendering of services

Revenue is measured based on the consideration to which the Group expects to be entitled in a contract with a customer and excludes amounts collected on behalf of third parties. The Group recognises revenue when it transfers control of a service to a customer. The Group follows a 5-step process:

- Identifying the contract with a customer
- Identifying the performance obligations
- Determining the transaction price
- Allocating the transaction price to the performance obligations
- Recognising revenue when/as performance obligation(s) are satisfied

Revenue is recognised either at point in time or over time, when (or as) the Group satisfies performance obligations by transferring the promised goods or services to its customers.

The Group recognises contract liabilities for consideration received in respect of unsatisfied performance obligations and reports these amounts, if any, as other liabilities in the consolidated statement of financial position. Similarly, if the Group satisfies a performance obligation before it receives the consideration, the Group recognises either a contract asset or receivable, if any, in its statement of financial position, depending on whether something other than the passage of time is required before the consideration is due.

The following specific recognition criteria described below must also be met before revenue is recognised.

Sale of fuel

Sale of fuel income is recognised when the Group satisfies performance obligations by transferring the controlled promised goods or services to its customers at an agreed rate.

Rendering of services

The Group earns service income from diverse range of services provided to its customers and is recognised at pre-agreed rates in accordance with the contractual terms.

Interest income

Interest revenue is recognised as the interest accrues using the effective interest method, under which the rate used exactly discounts, estimated future cash receipts through the expected life of the financial asset to the net carrying amount of the financial asset.

Dividend income

Dividend income is recognised when the Group's right to receive the payment is established, which is generally when shareholders approve the dividend.

Rental income

Rental income from operating leases is recognised on a straight-line basis over the term of the relevant lease.

Al Soor Fuel Marketing Company K.S.C.P. and its Subsidiary

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

At 31 December 2018

2.5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Taxation

National Labour Support Tax (NLST)

The Parent Company calculates the NLST in accordance with Law No. 19 of 2000 and the Minister of Finance Resolutions No. 24 of 2006 at 2.5% of taxable profit for the year. As per the law, income from associates and subsidiaries, cash dividends from listed companies which are subjected to NLST are deducted from the profit for the year.

Kuwait Foundation for the Advancement of Sciences (KFAS)

The Parent Company calculates the contribution to KFAS at 1% in accordance with the modified calculation based on the Foundation's Board of Directors' resolution, which states that the income from associates and subsidiaries, Directors' remuneration, transfer to statutory reserve should be excluded from profit for the year when determining the contribution.

Zakat

Contribution to Zakat is calculated at 1% of the profit of the Parent Company in accordance with the Ministry of Finance resolution No. 58/2007.

Property and equipment

Property and equipment is stated at cost, net of accumulated depreciation and/or accumulated impairment losses, if any.

Depreciation is calculated on a straight-line basis over the estimated useful lives of the assets as follows:

• Buildings on leasehold land	15 years
• Installations and equipment	5-15 years
• Furniture and fixtures	1-5 years
• Motor vehicles	5 years

The carrying values of property and equipment are reviewed for impairment when events or changes in circumstances indicate the carrying value may not be recoverable. If any such indication exists and where the carrying values exceed the estimated recoverable amount, the assets are written down to their recoverable amount, being the higher of their fair value less costs to sell and their value in use.

Expenditure incurred to replace a component of an item of property and equipment that is accounted for separately is capitalised and the carrying amount of the component that is replaced is written off. Other subsequent expenditure is capitalised only when it increases future economic benefits of the related item of equipment. All other expenditure is recognised in the consolidated statement of income as the expense is incurred.

An item of property and equipment and any significant part initially recognised is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in the consolidated statement of income when the asset is derecognised.

The assets' residual values, useful lives and methods of depreciation are reviewed at each financial year end and adjusted prospectively, if appropriate.

Intangible assets

Intangible assets acquired separately are measured on initial recognition at cost. The cost of intangible assets acquired in a business combination is its fair value as at the date of acquisition. Following initial recognition, intangible assets are carried at cost less any accumulated amortisation and accumulated impairment losses, if any. Internally generated intangible assets, excluding capitalised development costs, are not capitalised and expenditure is reflected in the consolidated statement of income in the year in which the expenditure is incurred.

The useful lives of intangible assets are assessed as either finite or indefinite.

Intangible assets with finite lives are amortised over the useful economic life and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortisation period and the amortisation method for an intangible asset with a finite useful life is reviewed at least at each reporting date.

Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset is accounted for by changing the amortisation period or method, as appropriate, and are treated as changes in accounting estimates. The amortisation expense on intangible assets with finite lives is recognised in the consolidated statement of income in the expense category consistent with the function of the intangible assets.

2.5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Intangible assets (continued)

Intangible assets with indefinite useful lives are not amortised, but are tested for impairment annually, either individually or at the cash-generating unit level. The assessment of indefinite life is reviewed annually to determine whether the indefinite life continues to be supportable. If not, the change in useful life from indefinite to finite is made on a prospective basis.

Gains or losses arising from derecognition of an intangible asset are measured as the difference between the net disposal proceeds and the carrying amount of the asset and are recognised in the consolidated statement of income when the asset is derecognised.

Goodwill

Goodwill is initially measured at cost, being the excess of the aggregate of the consideration transferred and the amount recognised for non-controlling interests over the net identifiable assets acquired and liabilities assumed. If the fair value of the net assets acquired is in excess of the aggregate consideration transferred, the gain is recognised in the consolidated statement of income.

After initial recognition, goodwill is measured at cost less any accumulated impairment losses. For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Group's cash-generating units that are expected to benefit from the combination, irrespective of whether other assets or liabilities of the acquiree are assigned to those units.

Where goodwill has been allocated to a cash-generating unit and part of the operation within that unit is disposed of, the goodwill associated with the disposed operation is included in the carrying amount of the operation when determining the gain or loss on disposal. Goodwill disposed in this circumstance is measured based on the relative values of the disposed operation and the portion of the cash-generating unit retained.

Contracts backlog

Contracts backlog acquired separately are measured at cost on initial recognition. Contracts backlog acquired in business combination have a finite useful life and are carried at cost less accumulated amortisation and accumulated impairment losses. Amortisation is calculated using the straight line method to allocate the cost of Contracts backlog over their estimated useful lives (3 years).

The carrying amount of contracts backlog is reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, an impairment loss is recognised in the consolidated statement of income, being the difference between carrying value and the asset's recoverable amount.

Leasehold right

Leasehold right acquired is measured on initial recognition at cost. Following initial recognition, leasehold rights are carried at cost less any accumulated amortisation and any accumulated impairment losses.

Leasehold right is amortised over their useful economic life (30 years) and assessed for impairment whenever there is an indication that the leasehold right may be impaired. The amortisation period and the amortisation method for leasehold right is reviewed at least at each financial year end. Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset is accounted for by changing the amortisation period or method, as appropriate, and are treated as changes in accounting estimates. The amortisation expense on leasehold rights is recognised in the consolidated statement of income.

Gains or losses arising from derecognition of an leasehold right are measured as the difference between the net disposal proceeds and the carrying amount of the right and are recognised in the consolidated statement of income when the asset is derecognised.

License

License acquired separately is measured at cost on initial recognition. License acquired in business combination have a finite useful life and are carried at cost less accumulated amortisation and accumulated impairment losses. Amortisation is calculated using the straight line method to allocate the cost of license over their estimated useful lives (30 years).

The carrying amount of license is reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, an impairment loss is recognised in the consolidated statement of income, being the difference between carrying value and the asset's recoverable amount.

2.5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Intangible assets (continued)

Software

Software acquired separately is measured at cost on initial recognition. The software has finite useful life and is carried at cost less accumulated amortisation and accumulated impairment losses.

Amortisation is calculated using straight line method to allocate the cost of software over its estimated useful life of 3 years. The carrying amount software is assessed and adjusted for impairment whenever there is an indication that it may be impaired.

For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows.

Investment in associates

An associate is an entity over which the Group has significant influence. Significant influence is the power to participate in the financial and operating policy decisions of the investee, but is not control or joint control over those policies.

The Group's investments in its associate are accounted for using the equity method.

Under the equity method, the investment in associates is initially recognised at cost. The carrying amount of the investment is adjusted to recognise changes in the Group's share of net assets of the associate since the acquisition date. Goodwill relating to the associate is included in the carrying amount of the investment and is neither amortised nor individually tested for impairment.

The consolidated statement of income reflects the Group's share of the results of operations of the associate. Any change in other comprehensive income of the associate is presented as part of the Group's other comprehensive income. In addition, when there has been a change recognised directly in the equity of the associate, the Group recognises its share of any changes, when applicable, in the statement of changes in equity. Unrealised gains and losses resulting from transactions between the Group and the associate are eliminated to the extent of the interest in the associate.

The Group's share of results of an associate is included as part of net investment loss shown on the face of the consolidated statement of income.

The financial statements of the associate are prepared for the same reporting period as the Parent Company. In case of different reporting date of an associate, which are not more than three months from that of the Group, adjustments are made for the effects of significant transactions or events that occur between that date and the Group's reporting date. When necessary, adjustments are made to bring the accounting policies in line with those of the Group.

After application of the equity method, the Group determines whether it is necessary to recognise an impairment loss on its investment in its associate. At each reporting date, the Group determines whether there is objective evidence that the investment in associates is impaired. If there is such evidence, the Group calculates the amount of impairment as the difference between the recoverable amount of the associate and its carrying value, then recognises as part of net investment losses shown on the face of the consolidated statement of income.

Upon loss of significant influence over the associate, the Group measures and recognises any retained investment at its fair value. Any difference between the carrying amount of the associate upon loss of significant influence and the fair value of the retained investment and proceeds from disposal is recognised in the consolidated statement of income.

Investment properties

Investment properties are measured initially at cost, including transaction costs. The carrying amount includes the cost of replacing part of an existing investment property at the time that cost is incurred if the recognition criteria are met; and excludes the costs of day to day servicing of an investment property.

Subsequent to initial recognition, investment properties are stated at cost less accumulated depreciation and any impairment. The estimated life of the buildings is 40 years and is depreciated on a straight line basis. Land on which the property is constructed is not depreciated.

Investment properties are derecognised when either they have been disposed of or when the investment property is permanently withdrawn from use and no future economic benefit is expected from its disposal. The difference between the net disposal proceeds and the carrying amount of the asset is recognised in the consolidated statement of income in the period of derecognition.

Transfers are made to or from investment property only when there is a change in use. For a transfer from investment property to owner occupied property, the deemed cost for subsequent accounting is the cost at the date of change in use.

2.5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Impairment of non-financial assets

The Group assesses, at each reporting date, whether there is an indication that an asset may be impaired. If any indication exists, or when annual impairment testing for an asset is required, the Group estimates the asset's recoverable amount. An asset's recoverable amount is the higher of an asset's or cash-generating unit's (CGU) fair value less costs of disposal and its value in use. Recoverable amount is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets. When the carrying amount of an asset or CGU exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount.

In assessing value in use, the estimated future cash flows are discounted to their present value using a discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. In determining fair value less costs of disposal, recent market transactions are taken into account. If no such transactions can be identified, an appropriate valuation model is used.

An assessment is made at each reporting date to determine whether there is an indication that previously recognised impairment losses no longer exist or have decreased. If such indication exists, the Group estimates the asset's or CGU's recoverable amount. A previously recognised impairment loss is reversed only if there has been a change in the assumptions used to determine the asset's recoverable amount since the last impairment loss was recognised.

The reversal is limited so that the carrying amount of the asset does not exceed its recoverable amount, nor exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognised for the asset in prior years. Such reversal is recognized in the consolidated statement of income unless the asset is carried at a revalued amount, in which case, the reversal is treated as a revaluation increase.

Cash and short-term deposits

Cash and short-term deposits in the statement of financial position comprise cash at banks and on hand and short-term deposits with a maturity of three months or less.

For the purpose of the consolidated statement of cash flows, cash and cash equivalents consist of cash, bank balances and short-term deposits, as defined above.

Inventories

Inventories are valued at the lower of cost and net realisable value. Cost includes the purchase price, import duties, transportation, handling and other direct costs. Cost is calculated using the weighted average method. Net realisable value is the estimated selling price in the ordinary course of business, less estimated costs of completion and the estimated costs necessary to make the sale.

Financial instruments

Financial assets and financial liabilities are recognised when the Group becomes a party to the contractual provisions of the instrument. Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition of financial assets or issue of financial liabilities (other than on financial assets and financial liabilities at fair value through profit or loss) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or issue of financial liabilities at fair value through profit or loss are recognised immediately in consolidated statement of income.

Financial assets

All regular way purchases or sales of financial assets are recognised and derecognised on a trade date basis. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the marketplace.

All recognised financial assets are subsequently measured in their entirety at either amortised cost or fair value, depending on the classification of the financial assets.

Classification of financial assets

Financial assets at amortised cost

Financial assets such as accounts receivable, amount due from related parties and cash and cash equivalents that meet the following conditions are subsequently measured at amortised cost:

- the financial asset is held within a business model whose objective is to hold financial assets in order to collect contractual cash flows; and
- the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

All other financial assets are subsequently measured at fair value through profit or loss except for equity instruments when the Group may make an irrevocable election/designation at initial recognition to recognize fair value in other comprehensive income.

2.5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial instruments (continued)

Financial assets (continued)

Amortised cost and effective interest method

The effective interest method is a method of calculating the amortised cost of a debt instrument and of allocating interest income over the relevant period.

For financial instruments at amortised cost, the effective interest rate is the rate that exactly discounts estimated future cash receipts (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) excluding expected credit losses, through the expected life of the debt instrument, or, where appropriate, a shorter period, to the gross carrying amount of the debt instrument on initial recognition.

The amortised cost of a financial asset is the amount at which the financial asset is measured at initial recognition minus the principal repayments, plus the cumulative amortisation using the effective interest method of any difference between that initial amount and the maturity amount, adjusted for any loss allowance. On the other hand, the gross carrying amount of a financial asset is the amortised cost of a financial asset before adjusting for any loss allowance.

Interest income is recognised using the effective interest method for debt instruments measured subsequently at amortised cost. Interest income is calculated by applying the effective interest rate to the gross carrying amount of a financial asset, except for financial assets that have subsequently become credit-impaired. For financial assets that have subsequently become credit-impaired, interest income is recognised by applying the effective interest rate to the amortised cost of the financial asset. If, in subsequent reporting periods, the credit risk on the credit-impaired financial instrument improves so that the financial asset is no longer credit-impaired, interest income is recognised by applying the effective interest rate to the gross carrying amount of the financial asset.

Financial assets at FVOCI

On initial recognition, the Group may make an irrevocable election (on an instrument-by-instrument basis) to designate investments in equity instruments as at FVOCI. Designation at FVOCI is not permitted if the equity investment is held for trading or if it is contingent consideration recognised by an acquirer in a business combination to which IFRS 3 applies.

Investments in equity instruments at FVOCI are initially measured at fair value plus transaction costs. Subsequently, they are measured at fair value with gains and losses arising from changes in fair value recognised in other comprehensive income and accumulated in the cumulative changes in fair values reserve. The cumulative gain or loss will not be reclassified to consolidated statement of income on disposal of the equity investments, instead, they will be transferred to retained earnings.

The Group has designated all investments in equity instruments that are not held for trading as at FVOCI on initial application of IFRS 9.

Dividends on these investments in equity instruments are recognised in consolidated statement of income when the Group's right to receive the dividends is established, unless the dividends clearly represent a recovery of part of the cost of the investment.

Impairment of financial assets

The Group recognises a loss allowance for expected credit losses on financial assets that are measured at amortised cost. No impairment loss is recognised for equity instruments that are classified as financial assets at FVOCI. The amount of expected credit losses is updated at each reporting date.

The Group always recognises lifetime ECL for trade receivables which generally do not have a significant financing component. The expected credit losses on these financial assets are estimated using a provision matrix based on the Group's historical credit loss experience, adjusted for factors that are specific to the debtors, general economic conditions and an assessment of both the current as well as the forecast direction of conditions at the reporting date, including time value of money where appropriate. Lifetime ECL represents the expected credit losses that will result from all possible default events over the expected life of a trade receivables.

2.5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial instruments (continued)

Financial assets (continued)

Impairment of financial assets (continued)

Credit-impaired financial assets at amortised cost

A financial asset is credit-impaired when one or more events, constituting an event of default for internal credit risk management purposes as historical experience indicates, that have a detrimental impact on the estimated future cash flows of that financial asset have occurred that meet below criteria. Evidence that a financial asset is credit-impaired includes observable data about the following events:

- significant financial difficulty of the issuer or the borrower;
- a breach of contract, such as a default or past due event;
- the lender(s) of the borrower, for economic or contractual reasons relating to the borrower's financial difficulty, having granted to the borrower a concession(s) that the lender(s) would not otherwise consider;
- it is becoming probable that the borrower will enter bankruptcy or other financial reorganisation; or
- the disappearance of an active market for that financial asset because of financial difficulties.

Write-off of financial assets at amortised cost

The Group writes off a financial asset at amortised cost when there is information indicating that the counterparty is in severe financial difficulty and there is no realistic prospect of recovery, e.g. when the counterparty has been placed under liquidation or has entered into bankruptcy proceedings. Financial assets written off may still be subject to enforcement activities under the Group's recovery procedures, taking into account legal advice where appropriate. Any recoveries made are recognised in consolidated statement of income.

Measurement and recognition of expected credit losses

The measurement of expected credit losses is a function of the probability of default, loss given default (i.e. the magnitude of the loss if there is a default) and the exposure at default. The assessment of the probability of default and loss given default is based on historical data adjusted by forward-looking information as described above. As for the exposure at default, for financial assets, this is represented by the assets' gross carrying amount at the reporting date; for loan commitments and financial guarantee contracts, the exposure includes the amount drawn down as at the reporting date.

For financial assets, the expected credit loss is estimated as the difference between all contractual cash flows that are due to the Group in accordance with the contract and all the cash flows that the Group expects to receive, discounted at the original effective interest rate.

The Group recognises an impairment loss in consolidated statement of income for all financial assets at amortised cost with a corresponding adjustment to their carrying amount through a loss allowance account.

Derecognition

The Group derecognises a financial asset when the contractual rights to the cash flows from the financial asset expire, or it transfers the rights to receive the contractual cash flows in a transaction in which substantially all of the risks and rewards of ownership of the financial asset are transferred or in which the Group neither transfers nor retains substantially all of the risks and rewards of ownership and it does not retain control of the financial asset.

From 1 January 2017 any cumulative gain/loss recognised in OCI in respect of equity investment securities designated as at FVOCI is not recognised in consolidated statement of income on derecognition of such securities. Any interest in transferred financial assets that qualify for derecognition that is created or retained by the Group is recognised as a separate asset or liability.

If the terms of a financial asset are modified, the Group evaluates whether the cash flows of the modified asset are substantially different. If the cash flows are substantially different, then the contractual rights to cash flows from the original financial asset are deemed to have expired. In this case, the original financial asset is derecognised and a new financial asset is recognised at fair value.

Financial liabilities

All financial liabilities are subsequently measured at amortised cost using the effective interest method.

The Group's financial liabilities include bank overdrafts, accounts payable and accruals and bank borrowings (term loans, murabaha payable and tawaruq payable).

Subsequent measurement

The subsequent measurement of financial liabilities depends on their classification as described below:

2.5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial instruments (continued)

Financial liabilities (continued)

Subsequent measurement (continued)

Bank borrowings

Term loan

Term loan is carried on the consolidated statement of financial position at their principal amount. Instalments due within one year are shown as current liabilities. Interest is charged as an expense as it accrues, with unpaid amounts included in accounts payable and accruals.

Accounts payable and accruals

Liabilities are recognised for amounts to be paid in the future for goods or services received, whether billed by the supplier or not.

Derecognition

A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expires.

When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amounts is recognised in the consolidated statement of income.

Fair values of financial instruments

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either:

- In the principal market for the asset or liability, or
- In the absence of a principal market, in the most advantageous market for the asset or liability

The principal or the most advantageous market must be accessible to by the Group.

The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

The Group uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximising the use of relevant observable inputs and minimizing the use of unobservable inputs.

When the fair values of financial assets and financial liabilities recorded in the consolidated statement of financial position cannot be measured based on quoted prices in active markets, their fair value is measured using valuation techniques including the DCF model and price to book model. The inputs to these models are taken from observable markets where possible, but where this is not feasible, a degree of judgement is required in establishing fair values. Judgements include considerations of inputs such as liquidity risk, credit risk and volatility. Changes in assumptions about these factors could affect the reported fair value of financial instruments. See Note 24 for further disclosures.

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorized within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

- Level 1 — Quoted (unadjusted) market prices in active markets for identical assets or liabilities
- Level 2 — Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable
- Level 3 — Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable

For assets and liabilities that are recognised in the financial statements on a recurring basis, the Group determines whether transfers have occurred between Levels in the hierarchy by re-assessing categorization (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

An analysis of fair value of financial instruments and further details as to how they are measured are provided in note 24.

2.5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Fair value of investments properties

The determination of fair value of investment properties requires the use of estimates such as future cash flows from assets (such as lettings, tenants' profiles, future revenue stream, capital value of fixtures and fittings, plant and machinery, any environmental matters and the overall repair and condition of the property) and discount rates applicable to those assets. In additions, development risks (such as construction and letting risks) are also taken consideration when determining the fair value of investment properties under construction. These estimates are based on local market conditions existing at reporting date.

Offsetting of financial instruments

Financial assets and financial liabilities are offset and the net amount is reported in the consolidated statement of financial position if, and only if, there is a currently enforceable legal right to offset the recognised amounts and there is an intention to settle on a net basis, or to realise the assets and settle the liabilities simultaneously.

Treasury shares

Treasury shares consist of the Parent Company's own issued shares that have been reacquired by the Group and not yet reissued or cancelled. The treasury shares are accounted for using the cost method. Under this method, the weighted average cost of the shares reacquired is charged to a contra account in equity. When the treasury shares are reissued, gains are credited to a separate account in equity, "treasury shares reserve", which is not distributable. Any realised losses are charged to the same account to the extent of the credit balance on that account. Any excess losses are charged to retained earnings and then to the statutory and voluntary reserves. Gains realised subsequently on the sale of treasury shares are first used to offset any previously recorded losses in the order of reserves, retained earnings and the treasury shares reserve account. No cash dividends are paid on these shares. The issue of stock dividend increases the number of treasury shares proportionately and reduces the average cost per share without affecting the total cost of treasury shares.

Leases

The determination of whether an arrangement is, or contains a lease is based on the substance of the arrangement and requires an assessment of whether the fulfilment of the arrangement is dependent on the use of a specific asset or assets and the arrangement conveys a right to use the asset.

Group as a lessee

Leases where the lessor retains substantially all the risks and benefits of ownership of the asset are classified as operating leases. Operating lease payments are recognised as an expense in the consolidated statement of income on a straight-line basis over the lease term, except for contingent rental payments which are expensed when they arise.

Employees' end of service benefits

The Group provides end of service benefits to its employees under the Kuwait Labour Law. The entitlement to these benefits is based upon the employees' final salary and length of service, subject to the completion of a minimum service period. The expected costs of these benefits are accrued over the period of employment.

In addition to the above, with respect to its national employees, the Group also makes contributions to Public Institution for Social Security scheme, calculated as a percentage of the employees' salaries. The Group's obligations are limited to these contributions, which are expensed when due.

Provisions

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation.

Segment reporting

A segment is a distinguishable component of the Group that engages in business activities from which it earns revenues and incurs costs. The operating segments are used by the management of the Group to allocate resources and assess performance is consistent with the internal reports provided to the chief executive operation and the board of directors. Operating segments exhibiting similar economic characteristics, product and services, class of customers where appropriate are aggregated and reported as reportable segments.

2.5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Foreign currencies

The Group's consolidated financial statements are presented in KD, which is also the Parent Company's functional currency. For each entity, the Group determines the functional currency and items included in the financial statements of each entity are measured using that functional currency. The Group uses the direct method of consolidation and has elected to recycle the gain or loss that arises from using this method.

i) Transactions and balances

Transactions in foreign currencies are initially recorded by the Group's entities at their respective functional currency spot rates at the date the transaction first qualifies for recognition.

Monetary assets and liabilities denominated in foreign currencies are translated at the functional currency spot rates of exchange at the reporting date.

Differences arising on settlement or translation of monetary items are recognised in the consolidated statement of income with the exception of monetary items that are designated as part of the hedge of the Group's net investment of a foreign operation. These are recognised in other comprehensive income until the net investment is disposed of, at which time, the cumulative amount is reclassified to the consolidated statement of income.

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value is determined. The gain or loss arising on translation of non-monetary items measured at fair value is treated in line with the recognition of gain or loss on change in fair value of the item (i.e., translation differences on items whose fair value gain or loss is recognised in other comprehensive income or the consolidated statement of income).

Any goodwill arising on the acquisition of a foreign operation and any fair value adjustments to the carrying amounts of assets and liabilities arising on the acquisition are treated as assets and liabilities of the foreign operation and translated at the spot rate of exchange at the reporting date.

Contingencies

Contingent liabilities are not recognised in the consolidated financial statements, but are disclosed unless the possibility of an outflow of resources embodying economic benefits is remote

3 SIGNIFICANT ACCOUNTING JUDGEMENTS, ESTIMATES AND ASSUMPTIONS

The preparation of consolidated financial statements in conformity with International Financial Reporting Standards requires management to make judgements, estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the reporting date and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates. The Group has used judgment and estimates principally in, but not limited to, the following:

Valuation of unquoted investments

Valuation of unquoted equity securities is normally based on one of the following:

- Recent arm's length market transactions;
- Current fair value of another instrument that is substantially the same;
- Earnings multiples;
- Price to book multiples;
- The expected cash flows discounted at current rates applicable for items with similar terms and risk characteristics;
- Underlying net asset base of the investment; or
- Other valuation models

The determination of the cash flows, earnings multiples, price to book multiples and discount factors for unquoted equity securities requires significant estimation.

Impairment of trade receivables

An estimate of the collectible amount of trade accounts receivable is made when collection of the full amount is no longer probable. For individually significant amounts, this estimation is performed on an individual basis. Amounts which are not individually significant, but which are past due, are assessed collectively and a provision applied according to the length of time past due, based on historical recovery rates.

3 SIGNIFICANT ACCOUNTING JUDGMENTS, ESTIMATES AND ASSUMPTIONS (continued)

Impairment of financial assets at amortised cost- policy

The impairment provisions for financial assets disclosed in Note 11 are based on assumptions about risk of default and expected loss rates. The Group uses judgement in making these assumptions and selecting the inputs to the impairment calculation, based on the Group's past history, existing market conditions as well as forward looking estimates at the end of each reporting period

Impairment of inventories

Inventories are held at the lower of cost and net realisable value. When inventories become old or obsolete, an estimate is made of their net realisable value. For individually significant amounts this estimation is performed on an individual basis. Amounts which are not individually significant, but which are old or obsolete, are assessed collectively and a provision applied according to the inventory type and the degree of ageing or obsolescence, based on historical selling prices.

Impairment of non-financial assets

An asset is impaired if its carrying amount exceeds its estimated recoverable amount. The recoverable amount of an asset is the higher of an asset's net selling price and value in use. Net selling price is the amount obtainable from the sale of an asset in an arm's length transaction. Value in use is the present value of estimated future cash flows expected to arise from the continuing use of an asset and from its disposal at the end of its useful life. An assessment is made at each statement of financial position date to determine whether there is objective evidence that an asset may be impaired. If such evidence exists, any impairment loss is recognised in the consolidated statement of income.

Impairment of property and equipment

A decline in the value of property and equipment could have a significant effect on the amounts recognised in the financial statements. Management assesses the impairment of property and equipment whenever events or changes in circumstances indicate that the carrying value may not be recoverable.

Factors that are considered important which could trigger an impairment review include the following:

- significant decline in the market value beyond that which would be expected from the passage of time or normal use;
- significant changes in the technology and regulatory environments; and
- evidence from internal reporting which indicates that the economic performance of the asset is, or will be, worse than expected.

Useful lives of property and equipment

The Group's management determines the estimated useful lives of its equipment for calculating depreciation. This estimate is determined after considering the expected usage of the asset or physical wear and tear. Management reviews the residual value and useful lives annually and future depreciation charge would be adjusted where the management believes the useful lives differ from previous estimates.

Impairment of goodwill and intangible assets with finite and indefinite useful life

Intangible assets with finite lives are amortised over their useful economic life and assessed for impairment whenever there is an indication that an intangible asset may be impaired. The amortisation period and the amortisation method for an intangible asset with a finite useful life is reviewed at least at each financial year end. Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset is accounted for by changing the amortisation period or method, as appropriate, and are treated as changes in accounting estimates. The amortisation expense on intangible assets with finite lives is recognised in the consolidated statement of income as the expense category that is consistent with the function of the intangible assets.

The Group determines whether goodwill and intangible assets with indefinite useful life are impaired at least on an annual basis. This requires an estimation of the value in use of the cash-generating units. Estimating the value in use requires the Group to make an estimate of the expected future cash flows from the cash-generating unit and also to choose a suitable discount rate in order to calculate the present value of those cash flows.

Impairment of an associate

After application of the equity method, the Group determines whether it is necessary to recognise an additional impairment loss on the Group's investment in its associates. The Group determines at each reporting date whether there is any objective evidence that the investment in the associate is impaired. If this is the case, the Group calculates the amount of impairment as the difference between the recoverable amount of the associate and its carrying value and recognises the loss as "Impairment loss of investment in associate" in the consolidated statement of income.

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4 NET INVESTMENT INCOME

	2018 KD	2017 KD
Interest income	224,948	238,375
Unrealised gain from financial assets at fair value through profit or loss	1,039	-
Dividend income	293,054	274,668
	519,041	513,043

5 BASIC AND DILUTED EARNINGS PER SHARE

Basic earnings per share are calculated by dividing the profit for the year by the weighted average number of ordinary shares outstanding during the year (excluding treasury shares). Diluted earnings per share is calculated by dividing the profit for the year by the weighted average number of ordinary shares outstanding during the year (excluding treasury shares) plus the weighted average number of ordinary shares that would be issued on the conversion of all the dilutive potential ordinary shares into ordinary shares. The Parent Company did not have any diluted shares as at 31 December. The information necessary to calculate basic and diluted earnings per share based on the weighted average number of shares outstanding, less treasury shares, during the year is as follows:

	2018	2017
Profit for the year (KD)	3,415,915	3,459,797
Weighted average number of ordinary shares outstanding during the year (excluding treasury shares)	400,991,834	400,991,834
Basic and diluted earnings per share	8.52 fils	8.63 fils

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6 PROPERTY AND EQUIPMENT

	Buildings on leasehold land KD	Installations and equipment KD	Furniture and fixtures KD	Motor vehicles KD	Capital work in progress KD	Total KD
Cost:						
At 1 January 2018	11,609,469	7,800,014	1,584,783	69,614	7,924,415	28,988,295
Additions	-	312,033	6,908	7,850	4,243,655	4,570,446
Transfers	3,281,435	25,790	-	-	(3,307,225)	-
At 31 December 2018	14,890,904	8,137,837	1,591,691	77,464	8,860,845	33,558,741
Depreciation:						
At 1 January 2018	1,483,595	6,466,106	1,567,570	60,334	-	9,577,605
Charged for the year	796,088	492,813	15,355	5,302	-	1,309,558
At 31 December 2018	2,279,683	6,958,919	1,582,925	65,636	-	10,887,163
Net carrying amount:						
At 31 December 2018	12,611,221	1,178,918	8,766	11,828	8,860,845	22,671,578
Cost:						
At 1 January 2017	9,034,224	7,728,663	1,571,721	63,924	7,460,574	25,859,106
Additions	-	6,476	13,062	5,690	3,103,961	3,129,189
Transfers	2,575,245	64,875	-	-	(2,640,120)	-
At 31 December 2017	11,609,469	7,800,014	1,584,783	69,614	7,924,415	28,988,295
Depreciation:						
At 1 January 2017	853,294	6,027,095	1,560,913	48,813	-	8,490,115
Charged for the year	630,301	439,011	6,657	11,521	-	1,087,490
At 31 December 2017	1,483,595	6,466,106	1,567,570	60,334	-	9,577,605
Net carrying amount:						
At 31 December 2017	10,125,874	1,333,908	17,213	9,280	7,924,415	19,410,690

Fuel stations and buildings on leasehold land (holding on leasehold land) are constructed on land leased from the Government of Kuwait. Capital work in progress represents major renovations and significant improvements being carried out at the fuel stations. Notwithstanding the contractual term of the lease for leasehold land, these are amortised over 30 years based on common practice in Kuwait for similar lands. Certain leasehold lands are registered in the name of related parties who have confirmed in writing that the Group is the beneficial owner of these leasehold lands.

Depreciation expense is allocated between operating expenses of KD 1,288,901 (2017: KD 1,069,312) and administrative expenses of KD 20,657 (2017: KD 18,178) in the consolidated statement of income.

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7 INTANGIBLE ASSETS

	<i>Goodwill KD</i>	<i>Contracts backlog KD</i>	<i>Leasehold rights KD</i>	<i>Licenses KD</i>	<i>Software KD</i>	<i>Total KD</i>
Cost:						
At 1 January 2018	210,483	555,877	19,087,811	1,725,128	363,494	21,942,793
At 31 December 2018	210,483	555,877	19,087,811	1,725,128	363,494	21,942,793
Amortisation:						
At 1 January 2018	-	555,876	7,423,040	670,884	363,493	9,013,293
Charged for the year	-	-	636,260	57,504	-	693,764
At 31 December 2018	-	555,876	8,059,300	728,388	363,493	9,707,057
Net carrying amount:						
At 31 December 2018	210,483	1	11,028,511	996,740	1	12,235,736
Cost:						
At 1 January 2017	210,483	555,877	19,087,811	1,725,128	363,494	21,942,793
At 31 December 2017	210,483	555,877	19,087,811	1,725,128	363,494	21,942,793
Amortisation:						
At 1 January 2017	-	555,876	6,786,775	613,380	363,340	8,319,371
Charged for the year	-	-	636,265	57,504	153	693,922
At 31 December 2017	-	555,876	7,423,040	670,884	363,493	9,013,293
Net carrying amount:						
At 31 December 2017	210,483	1	11,664,771	1,054,244	1	12,929,500

Amortisation expense is allocated between operating expenses of KD 693,764 (2017: KD 693,769) and administrative expenses of KD Nil (2017: KD 153) in the consolidated statement of income.

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8 INVESTMENT PROPERTIES

	<i>Freehold land KD</i>	<i>Buildings KD</i>	<i>Total KD</i>
Cost:			
At 1 January 2018	3,474,033	1,365,336	4,839,369
Additions	-	39,000	39,000
At 31 December 2018	3,474,033	1,404,336	4,878,369
Depreciation:			
At 1 January 2018	-	289,359	289,359
Charge for the year	-	38,569	38,569
At 31 December 2018	-	327,928	327,928
Net carrying amount: At 31 December 2018	3,474,033	1,076,408	4,550,441
Cost:			
At 1 January 2017	3,474,033	1,219,110	4,693,143
Additions	-	146,226	146,226
At 31 December 2017	3,474,033	1,365,336	4,839,369
Depreciation:			
At 1 January 2017	-	259,160	259,160
Charge for the year	-	30,199	30,199
At 31 December 2017	-	289,359	289,359
Net carrying amount: At 31 December 2017	3,474,033	1,075,977	4,550,010

* As at 31 December 2018, the fair value of the investment properties amounted to KD 5,347,000 (2017: KD 5,408,000).

The fair value of the investment properties has been determined based on valuations obtained from two independent valuers, who are an industry specialised in valuing these types of investment properties, one of these valuers is a local bank.

Both valuers have used the following method:

- Developed properties which generate rental income have been valued using the income capitalisation approach assuming full capacity of the property.

All investment properties are considered under level 3 for the fair value hierarchy, and there were no transfers between level 1 and level 2 fair value measurements and no transfer into and out of level 3 fair value measurements.

Investment properties with total amount of KD 2,661,473 (2017: KD 2,661,473) is registered in the name of a related party (Note 19), which confirmed in writing that the Group has the beneficial ownership of those properties.

9 INVESTMENT IN AN ASSOCIATE

During the year ended 31 December 2018, the Group disposed its shares in United Foodstuff Industries Group Company K.S.C. (Closed) to a related party for a consideration of KD 2,107,640. Accordingly, the Group has recognized a gain from sale of the associate of KD 518,858 in the consolidated statement of income (Note 19).

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10 OTHER FINANCIAL ASSETS

	2018 KD	2017 KD
Financial assets at fair value through profit or loss (FVTPL)		
Managed portfolio (local quoted equity securities)	994,372	-
Financial assets at fair value through other comprehensive income (FVOCI)		
Local unquoted securities	3,789,343	6,457,161
Local quoted securities	4,039,536	-
Managed portfolio (local quoted equity securities)	1,903,874	125,863
Managed portfolio (local unquoted equity securities)	14,187,550	15,007,328
	23,920,303	21,590,352
Total other financial assets	24,914,675	21,590,352

As at 31 December 2018, financial assets at fair value through other comprehensive income amounting to KD 16,091,964 (2017: KD 15,133,191) are managed by a related party (Note 19).

As at 31 December 2018, financial assets at fair value through other comprehensive income amounting to KD 21,601,659 (2017: KD 18,454,810) are in related party entities (Note 19).

Hierarchy for determining and disclosing the fair values of financial instruments by valuation technique are presented in Note 24.

11 ACCOUNTS RECEIVABLE AND PREPAYMENTS

	2018 KD	2017 KD
Trade receivables	2,824,231	4,485,402
Advance payment for purchase investment properties	2,544,520	4,653,331
Prepaid expenses	306,285	305,431
Other receivables	205,914	194,250
	5,880,950	9,638,414

As at 31 December 2018, trade receivables of KD 2,300,008 (2017: KD 1,685,839) were impaired and fully provided for.

Movements in the allowance for impairment of trade receivables were as follows:

	2018 KD	2017 KD
Opening balance	1,685,839	502,286
Opening balance adjustment based on lifetime ECL (Note 2.2.1)	-	162,343
Charge for the year	-	1,020,504
Charge for the year based on lifetime ECL	614,169	706
	2,300,008	1,685,839

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11 ACCOUNTS RECEIVABLE AND PREPAYMENTS (continued)

The aging of unimpaired trade receivables at 31 December is as follows:

	<i>Total KD</i>	<i>Past due but not impaired</i>				
		<i>0 – 90 days KD</i>	<i>91 – 180 day KD</i>	<i>181 – 270 day KD</i>	<i>271 – 360 day KD</i>	<i>>360 days KD</i>
2018	3,438,400	2,274,470	943,141	120,812	99,977	-
2017	4,648,451	3,089,142	1,207,177	141,109	37,675	173,348

Receivables which are past due at the reporting date for which the Group has not provided for as there has not been a significant change in credit quality and the amounts are still considered recoverable. The Group does not hold any collateral over these balances.

12 CASH, BANK BALANCES AND TERM DEPOSITS

Cash, bank balances and term deposits included in the consolidated statement of cash flows include the following consolidated statement of financial position amounts:

	<i>2018 KD</i>	<i>2017 KD</i>
Cash	1,729	2,093
Bank balances	4,812,322	3,987,120
Term deposits	12,000,000	24,050,000
	16,814,051	28,039,213
Term deposits (maturity after 3 months from the inception date)	(10,000,000)	(9,000,000)
	6,814,051	19,039,213

Term deposits are placed with local banks denominated in KD and carry an effective interest rate of 2.55% (2017: 1.855%) per annum.

Changes in liabilities from financing activities:

	<i>1 January 2018 KD</i>	<i>Cash flows inflow/(outflow) KD</i>	<i>31 December 2018 KD</i>
Current interest-bearing loans and borrowings	17,821,485	(17,821,485)	-
Total liabilities from financing activities	17,821,485	(17,821,485)	-

13 SHARE CAPITAL, CASH DIVIDEND AND BONUS SHARES

	<i>Authorised, issued and fully paid</i>	
	<i>2018 KD</i>	<i>2017 KD</i>
404,707,581 shares (2017: 404,707,581) of 100 fils paid in cash and issue of bonus shares	40,470,758	40,470,758

Cash dividend, bonus shares and Directors' remuneration

The Annual General Assembly Meeting held on 22 April 2018, approved a distribution of 5% cash dividend of the nominal value of shares, by 5 fils per share for the year ended 31 December 2017 (2016: 5 fils). In addition, the Annual General Assembly approved directors' remuneration for the year ended 31 December 2017 of KD 55,000 (2015: 50,000).

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13 SHARE CAPITAL, CASH DIVIDEND AND BONUS SHARES (continued)

Cash dividend, bonus shares and Directors' remuneration (continued)

The Board of Directors of the Group has proposed directors' remuneration of KD 60,000 (2017: KD 55,000), which is within the amount permissible under local regulations and are subject to approval by annual Ordinary General Assembly Meeting of the Group's shareholders.

The Board of Directors of the Parent Company has proposed a distribution of 5% cash dividends of the nominal value of shares, by 5 fils per share for the year ended 31 December 2018 (2017: 5 fils) and is subject to approval by Annual Ordinary General Assembly Meeting of the Parent Company's shareholders.

14 STATUTORY RESERVE

In accordance with the Companies' Law, and the Parent Company's Memorandum of Incorporation and Articles of Association, a minimum of 10% of the profit for the year before contribution to KFAS, NLST, Zakat and Directors' remuneration shall be transferred to the statutory reserve based on the recommendation of the Parent Company's board of directors. The annual general assembly of the Parent Company may resolve to discontinue such transfer when the reserve exceeds 50% of the issued share capital. The reserve may only be used to offset losses or enable the payment of a dividend up to 5% of paid-up share capital in years when profit is not sufficient for the payment of such dividend due to absence of distributable reserves. Any amounts deducted from the reserve shall be refunded when the profits in the following years suffice, unless such reserve exceeds 50% of the issued share capital.

15 VOLUNTARY RESERVE

In accordance with the Companies' Law, and the Parent Company's Memorandum of Incorporation and Articles of Association, a maximum of 10% of the profit for the year before contribution to KFAS, NLST, Zakat and Directors' remuneration is transferred to voluntary reserve. The Annual General Assembly of shareholders may, upon a recommendation by the Board of Directors, resolve to discontinue such annual transfers.

16 TREASURY SHARES

	2018	2017
Number of treasury shares	3,715,747	3,715,747
Percentage of ownership	0.92%	0.92%
Market value (KD)	427,311	408,732

Reserves equivalent to the cost of the treasury shares held are not available for distribution.

17 ACCOUNTS PAYABLE AND ACCRUALS

	2018 KD	2017 KD
Trade payables	13,484,198	9,494,106
Accrued expenses	1,582,276	1,600,021
Dividend payables	2,359,763	1,669,755
Advances from customers	1,383,090	1,208,069
	18,809,327	13,971,951

Trade payable amounting to KD 12,354,638 (2017: 8,667,009) are due to a related party (Note 19).

18 CONTINGENCIES AND COMMITMENTS

	2018 KD	2017 KD
Letters of guarantee	5,969,281	5,435,223
Capital commitments	1,456,861	2,587,114

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18 CONTINGENCIES AND COMMITMENTS (continued)

The Group has entered into several lease arrangements, mainly for renting of land over which fuel stations are constructed. The future minimum lease payments under the non-cancellable operating leases as at 31 December are as follows:

	2018 KD	2017 KD
Not later than one year	1,166,257	1,051,365
After one year and not later than five years	2,043,411	1,866,432
	<u>3,209,668</u>	<u>2,917,797</u>

19 RELATED PARTY TRANSACTIONS

Related parties represent i.e. major shareholders, associates, directors and key management personnel of the Group, and entities controlled, jointly controlled or significantly influenced by such parties. Pricing policies and terms of these transactions are approved by the management and board of directors.

Transactions with related parties included in the consolidated statement of income are as follows:

	Entities under common control KD	Major shareholder KD	2018 Total KD	2017 Total KD
Cost of sales (purchase of fuel)	-	143,855,393	143,855,393	137,854,788
Operating expenses	952,348	-	952,348	965,628
Administrative expenses	852,603	-	852,603	1,169,987
Gain from sale of an associate	518,858	-	518,858	-

Balances with related parties included in the consolidated statement of financial position are as follows:

	Entities under common control KD	Major shareholder KD	2018 Total KD	2017 Total KD
Accounts receivable and prepayments*	1,739,262	-	1,739,262	4,150,716
Accounts payable and accruals*	12,354,638	-	12,354,638	8,667,009
Financial assets at fair value through other comprehensive income	21,601,659	-	21,601,659	18,454,810

Investment properties with total amount of KD 2,661,473 (2017: KD 2,661,473) is registered in the name of related party (Note 8), which confirmed in writing that the Group has the beneficial ownership of those properties.

Financial assets at fair value through other comprehensive income amounting to KD 16,091,964 (2017: KD 15,133,191) are managed by a related party (Note 10).

* Amounts due to/from Entities under common control that are interest free and due within one year from the reporting date.

	2018 KD	2017 KD
Key management compensation		
Short-term benefits	346,179	478,864
Employees' end of service benefits	26,986	35,587
	<u>373,165</u>	<u>514,451</u>

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20 SEGMENTAL INFORMATION

For management purposes, the Group is organized into business units based on their products and services, and has two reportable operating segments as follows:

- Fuel marketing and other related services – represents the sale of fuel and other related services arising from fuel stations.
- Investment operations – represents investment in managed portfolio, short-term money market placements and real estate.

	<i>Fuel marketing and other related services KD</i>	<i>Investment operations KD</i>	<i>Unallocated KD</i>	<i>Total KD</i>
31 December 2018				
Segment revenue	160,194,061	1,050,206	-	161,244,267
Depreciation and amortization	1,925,161	38,569	78,161	2,041,891
Segment results	5,094,315	1,050,206	(2,728,606)	3,415,915
	<i>Fuel marketing and other related services KD</i>	<i>Investment operations KD</i>	<i>Unallocated KD</i>	<i>Total KD</i>
31 December 2017				
Segment revenue	153,262,753	1,234,726	-	154,497,479
Depreciation and amortization	1,705,577	30,201	75,835	1,811,613
Segment results	5,668,880	1,234,726	(3,443,809)	3,459,797
	<i>Fuel marketing and other related services KD</i>	<i>Investment operations KD</i>	<i>Unallocated KD</i>	<i>Total KD</i>
Segment assets as at 31 December 2018	46,191,359	41,465,116	-	87,656,475
Segment liabilities as at 31 December 2018	18,648,635	-	1,014,994	19,663,629
Segment assets as at 31 December 2017	46,850,344	51,960,399	-	98,810,743
Segment liabilities as at 31 December 2017	13,810,149	17,821,485	922,244	32,553,878

21 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

Risk is inherent in the Group's activities but it is managed through a process of ongoing identification, measurement and monitoring, subject to risk limits and other controls. This process of risk management is critical to the Group's continuing profitability and each individual within the Group is accountable for the risk exposures relating to his or her responsibilities. The Group is exposed to credit risk, liquidity risk and market risk. The independent risk control process does not include business risks such as changes in the environment, technology and industry. The Group's policy is to monitor those business risks through Group's strategic planning process. No changes were made in the risk management objectives, policies or processes during the years ended 31 December 2018 and 2017.

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21 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

21.1 Credit risk

Credit risk is the risk that a counter party will not meet its obligations under a financial instrument leading to a financial loss. Financial assets subject to credit risk consist principally of bank balances, fixed deposits and accounts receivable.

The Group has adopted a policy of only dealing with creditworthy counterparties. The Group's exposure are continuously monitored and the aggregate value of transactions concluded is spread amongst approved counterparties.

Maximum exposure to credit risk

The Group's exposure to credit risk from bank balances, cash with a portfolio manager, fixed deposits and accounts receivable arises from default of the counterparty, with a maximum exposure equal to the carrying amount of these instruments. Where financial instruments are recorded at fair value, it represents the current maximum credit risk exposure but not the maximum risk exposure that could arise in the future as a result of changes in values. The maximum exposure is the carrying amount as described in the consolidated statement of financial position.

The maximum exposure to credit risk at the reporting date was:

	2018	2017
	KD	KD
Cash, bank balances and term deposits (Note 12)	16,812,322	28,037,120
Trade and other receivables (Note 11)	3,030,145	4,679,652
	<u>19,842,467</u>	<u>32,716,772</u>

Risk concentration of maximum exposure to credit risk

Concentrations arise when a number of counterparties are engaged in similar business activities, or activities in the same geographic region, or have similar economic features that would cause their ability to meet contractual obligations to be similarly affected by changes in economic, political or other conditions. Concentrations indicate the relative sensitivity of the Group's performance to developments affecting a particular industry or geographic location.

Trade receivables consist of a large number of customers, spread across diverse industries. Ongoing credit evaluation is performed on the financial condition of accounts receivable. Concentration of credit risk is represented by one major customer representing 38% (2017: 32%) of the trade receivables balance.

21.2 Liquidity risk

Liquidity risk is the risk that the Group will encounter difficulty in raising funds to meet commitments associated with financial instruments. To manage this risk, the Group periodically assess the financial viability of the receivables and ensures that adequate bank facilities are available.

The management has built an appropriate liquidity risk management framework for the management of the Group's short and medium funding and liquidity management requirements. The Group manages liquidity risk by maintaining adequate cash and cash equivalents and by continuously monitoring forecast and actual cash flows and matching the maturity profiles of financial assets.

All the financial liabilities of the Group are due within one year from the consolidated statement of financial position date.

The table below summarises the maturity profile of the Group's financial liabilities based on contractual undiscounted payments:

	Within	3 to 12	Total
	3 months	months	KD
	KD	KD	
2018			
Accounts payable and accruals (excluding advances from customers)	15,894,810	1,531,426	17,426,236
	<u>15,894,810</u>	<u>1,531,426</u>	<u>17,426,236</u>

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21 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

21.2 Liquidity risk (continued)

	<i>Within 3 months KD</i>	<i>3 to 12 months KD</i>	<i>Total KD</i>
2017			
Accounts payable and accruals (excluding advances from customers)	11,242,551	1,521,331	12,763,882
Term loan	18,029,543	-	18,029,543
	<u>29,272,094</u>	<u>1,521,331</u>	<u>30,793,425</u>

21.3 Market risk

Market risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risk comprises of foreign currency risk, interest rate risk and equity price risk. The sensitivity analyses in the following sections relate to the position as at 31 December in 2018 and 2017.

21.3.1 Foreign currency risk

Foreign currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. The Group's exposure to the risk of changes in foreign exchange rates relates primarily to the Group's operating activities (when revenue or expense is denominated in a different currency from the Group's presentation currency).

At the reporting date, the Group is not exposed to foreign currency risk as majority of the assets and liabilities are denominated in Kuwaiti Dinars.

21.3.2 Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Group's exposure to the risk of changes in market interest rates relates primarily to the Company's term loan obligation with fixed interest rates.

The Group is exposed to interest rate risk on its interest bearing assets and liabilities (short term deposit, term loan).

The sensitivity of the consolidated statement of income is the effect of the assumed changes in interest rates on the Group's profit, based on fixed interest rates and financial liabilities held at 31 December. The following table demonstrates the sensitivity of the consolidated statement of income to reasonably possible changes in interest rates, with all other variables held constant.

	<i>Increase in basis points</i>	<i>Effect on profit for the year KD</i>
2018	+100	120,000
2017	+100	62,285

21.3.3 Equity price risk

Equity price risk is the risk that the fair values of equities decrease as a result of changes in the levels of equity indices and the value of individual stocks. The Group is exposed to equity price risk on its investments held at fair value through profit or loss. The Group manages this risk through diversification of investments in terms of industry concentration.

The following table demonstrates the sensitivity of the consolidated statement of income to reasonably possible changes in equity prices, with all other variables held constant.

	<i>Market indices</i>	<i>Increase/decrease in stock prices (%)</i>	<i>Effect on OCI KD</i>	<i>Effect on profit for the year KD</i>
2018				
Financial assets at fair value through other comprehensive income	Kuwait	± 5	± 234,619	-
Financial assets held at fair value through profit or loss	Kuwait	± 5	-	± 938,069
2017				
Financial assets held at fair value through profit or loss	Kuwait	± 5	± 5,492	-

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22 CAPITAL MANAGEMENT

The primary objective of the Group's capital management is to ensure that it maintains healthy capital ratios in order to support its business and maximise shareholders' value.

The Group manages its capital structure and makes adjustments to it in light of changes in economic conditions. To maintain or adjust the capital structure, the Group may adjust the dividend payment to shareholders, or issue new shares. No changes were made in the objectives, policies or processes during the years ended 31 December 2018 and 2017.

Capital comprises of share capital, statutory reserve, voluntary reserve, treasury shares cumulative change in fair value reserve and retained earnings and is measured at KD 67,992,846 as at 31 December 2018 (2017: KD 66,256,865).

23 MATURITY ANALYSIS OF ASSETS AND LIABILITIES

The table below summarises the maturity profile of the Group's assets and liabilities. The maturity profile of, accounts receivable and prepayments, accounts payable and accruals at the year-end is based on contractual repayment arrangements. The maturity profile for the remaining assets and liabilities is determined based on the management estimate of liquidation of those assets.

	<i>Within 3 months KD</i>	<i>3 to 12 months KD</i>	<i>1 to 5 years KD</i>	<i>Total KD</i>
31 December 2018				
Assets				
Property and equipment	-	-	22,671,578	22,671,578
Intangible assets	-	-	12,235,736	12,235,736
Investment properties	-	-	4,550,441	4,550,441
Financial assets at fair value through other comprehensive income	-	-	23,920,303	23,920,303
Inventories	-	589,044	-	589,044
Accounts receivable and prepayments	2,750,434	3,130,516	-	5,880,950
Financial assets at fair value through profit or loss	-	994,372	-	994,372
Cash, bank balances and term deposits	6,814,051	10,000,000	-	16,814,051
TOTAL ASSETS	9,564,485	14,713,932	63,378,058	87,656,475
Liabilities				
Employees end of service benefits	-	-	854,302	854,302
Accounts payable and accruals	15,894,810	2,914,517	-	18,809,327
TOTAL LIABILITIES	15,894,810	2,914,517	854,302	19,663,629
	<i>Within 3 months KD</i>	<i>3 to 12 months KD</i>	<i>1 to 5 years KD</i>	<i>Total KD</i>
31 December 2017				
Assets				
Property and equipment	-	-	19,410,690	19,410,690
Intangible assets	-	-	12,929,500	12,929,500
Investment properties	-	-	4,550,010	4,550,010
Investment in associates	-	-	1,927,375	1,927,375
Financial assets at fair value through other comprehensive income	-	-	21,590,352	21,590,352
Inventories	-	725,189	-	725,189
Accounts receivable and prepayments	4,357,583	5,280,831	-	9,638,414
Cash, bank balances and term deposits	19,039,213	9,000,000	-	28,039,213
TOTAL ASSETS	23,396,796	15,006,020	60,407,927	98,810,743
Liabilities				
Employees end of service benefits	-	-	760,442	760,442
Accounts payable and accruals	11,242,551	2,729,400	-	13,971,951
Term loans	17,821,485	-	-	17,821,485
TOTAL LIABILITIES	29,064,036	2,729,400	760,442	32,553,878

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24 FAIR VALUE OF FINANCIAL INSTRUMENTS

Financial instruments comprise of financial assets and financial liabilities.

Financial assets consist of financial assets at fair value through profit or loss, financial assets at fair value through other comprehensive income, accounts receivable and prepayments and cash, bank balances and term deposits. Financial liabilities consist of accounts payable and accruals and term loans.

The Group uses the following hierarchy for determining and disclosing the fair values of financial instruments by valuation technique:

Level 1: quoted (unadjusted) prices in an active market for identical assets and liabilities;

Level 2: other techniques for which all inputs which have a significant effect on the recorded fair value are observable, either directly or indirectly;

Level 3: other techniques which use inputs which have a significant effect on the recorded fair value are not based on observable market data.

The following table shows an analysis of financial instruments recorded at fair value by level of the fair value hierarchy:

	Level 1 KD	Level 3 KD	Total KD
2018			
Financial assets at fair value through profit or loss (FVPL)			
Managed portfolio (local quoted equity securities)	994,372	-	994,372
	<u>994,372</u>	<u>-</u>	<u>994,372</u>
Financial assets at fair value through other comprehensive income (FVOCI)			
Local unquoted securities	-	3,789,343	3,789,343
Local quoted securities	4,039,536	-	4,039,536
Managed portfolio (local quoted equity securities)	1,903,874	-	1,903,874
Managed portfolio (local unquoted equity securities)	-	14,187,550	14,187,550
	<u>5,943,410</u>	<u>17,976,893</u>	<u>23,920,303</u>
2017			
Financial assets at fair value through other comprehensive income (FVOCI)			
Local unquoted securities	-	6,457,161	6,457,161
Managed portfolio (local quoted equity securities)	125,863	-	125,863
Managed portfolio (local unquoted equity securities)	-	15,007,328	15,007,328
	<u>125,863</u>	<u>21,464,489</u>	<u>21,590,352</u>

The following table shows a reconciliation of the opening and closing amount of level 3 financial assets which are recorded at fair value.

	As at 1 January 2018 KD	Reclassification due to early adoption of IFRS 9 KD	Gain recorded in other comprehensive income KD	Net purchases, (sales) and settlements KD	Transfer to Level 1* KD	As at 31 December 2018 KD
Financial assets at fair value through other comprehensive income						
Local unquoted securities	6,457,161	-	(946,885)	5,000	(1,725,933)	3,789,343
Managed portfolio (local unquoted equity securities)	15,007,328	-	(3,500,404)	2,680,626	-	14,187,550

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24 FAIR VALUE OF FINANCIAL INSTRUMENTS (continued)

	<i>As at 1 January 2017 KD</i>	<i>Reclassification due to early adoption of IFRS 9 KD</i>	<i>Gain recorded in other comprehensive income KD</i>	<i>Net purchases, (sales) and settlements KD</i>	<i>Transfer from Level 1** KD</i>	<i>As at 31 December 2017 KD</i>
<i>Financial assets at fair value through other comprehensive income</i>						
Local unquoted securities	-	5,810,911	646,250	-	-	6,457,161
Managed portfolio (local unquoted equity securities)	-	13,270,828	412,473	152,499	1,171,528	15,007,328

* During the current year, Kuwait Boursa announced listing of one of the equity securities on the Kuwait stock market. Accordingly, the Group transferred the equity investment of KD 1,725,933 from level 3 to level 1.

** On September 2017, Kuwait Boursa announced delisting of one of the equity securities from the Kuwait stock market. Accordingly, the Group transferred the equity investment of KD 1,171,528 from level 1 to level 3.

25 COMPARATIVE INFORMATION

Certain prior year amounts have been re-classified to conform to the current year's presentation of the consolidated financial statements with no effect on previously reported profit or equity.

<i>31 December 2017</i>	<i>As previously reported KD</i>	<i>Effect of reclassification KD</i>	<i>After reclassification KD</i>
<i>Consolidated statement of financial position</i>			
Investment properties	4,392,672	157,338	4,550,010
Accounts receivable and prepayments	9,795,752	(157,338)	9,638,414